

**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

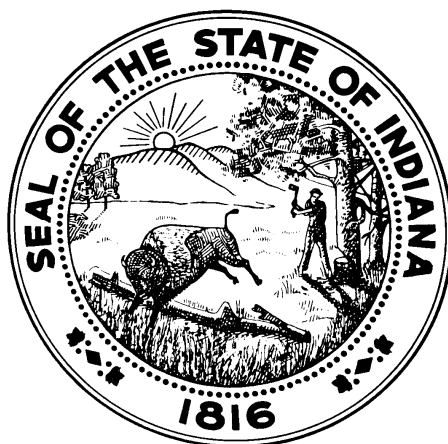
EXAMINATION REPORT

OF

CITY OF LEBANON

BOONE COUNTY, INDIANA

January 1, 2007 to December 31, 2007



FILED
11/10/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Deborah Ottinger	01-01-04 to 12-31-11
Mayor	James Acton John Lasley	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Board of Public Works	James Acton John Lasley	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Common Council	John Lasley Richard Robertson	01-01-07 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CITY OF LEBANON, BOONE COUNTY, INDIANA

We have examined the financial information presented herein of the City of Lebanon (City), for the period of January 1, 2007 to December 31, 2007. The City's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the City for the year ended December 31, 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

September 10, 2008

CITY OF LEBANON
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 2,397,857	\$ 5,183,072	\$ 6,463,225	\$ 1,117,704
Motor vehicle highway	299,742	530,695	623,272	207,165
Local road and street	40,386	81,805	93,231	28,960
Park and recreation	68,532	308,120	328,062	48,590
Park nonreverting	31,086	15,953	32,974	14,065
Law enforcement continuing education	14,684	1,659	-	16,343
Police fees	18,616	1,794	640	19,770
Deferral program	7,669	1,872	-	9,541
Drug defense	959	-	-	959
Public safety building	-	12,500	-	12,500
Hazardous materials	44	1,483	-	1,527
Fire department federal grants	-	26,244	26,244	-
Police department state grants	12,336	58,000	35,667	34,669
Police department federal grants	2,115	361	-	2,476
State drug investigation	250	966	335	881
DARE program	(2,252)	6,428	1,935	2,241
Fire tower training facility	7,163	53	4,041	3,175
Fire unrestricted donation	676	100	54	722
Police donations	1,687	407	25	2,069
Street unrestricted donation	434	66	-	500
City unrestricted donation	(647)	6,850	6,003	200
Park unrestricted donation	1,713	2,505	480	3,738
Sanitation	81,612	464,356	559,067	(13,099)
Levy excess	383,758	-	-	383,758
Economic development	-	3,000	3,000	-
Food and beverage tax	287,264	325,212	109,892	502,584
Storm water operating	-	3,140	2,880	260
Solid waste	(2)	16,512	15,988	522
City court	99,381	64,083	145,614	17,850
Enterprise boulevard TIF	4,519,725	-	850,619	3,669,106
Enterprise boulevard reserve	417,615	-	-	417,615
Storm water bond and interest	337,111	383,127	353,428	366,810
Cumulative capital improvement	145,367	49,953	-	195,320
Cumulative capital development	30,683	153,692	76,407	107,968
Enterprise boulevard construction	406,289	222,293	-	628,582
Public works building	215	6	221	-
COIT capital development	2,810,063	1,023,384	1,079,225	2,754,222
Storm water expansion - phase II	21,629	-	-	21,629
Storm water expansion - phase III	728,715	112,014	217,458	623,271
Proprietary Funds:				
Electric Utility:				
Operating	3,930,571	25,620,088	25,263,200	4,287,459
Meter deposits	125	-	125	-
Renewal and replacement	5,977,915	540,173	1,324,547	5,193,541
Water Utility:				
Operating	1,442,094	2,341,367	2,241,028	1,542,433
Depreciation	3,897,397	492,439	160,460	4,229,376
Meter deposits	25	-	25	-
Availability	545,900	86,888	-	632,788
Wastewater Utility:				
Operating	1,286,931	3,992,510	3,459,466	1,819,975
Bond and interest	80,895	978,330	846,851	212,374
Debt service reserve	755,085	-	-	755,085
Construction	1,469,237	396,970	767,672	1,098,535
Improvement	895,461	606,288	565,432	936,317
Availability	-	98,077	50	98,027
Telecommunication:				
Operating	110,423	229,406	39,742	300,087
Renewal and replacement	8,699	44,309	-	53,008
Construction	1,248,141	99,364	1,306,171	41,334
Fiduciary Funds:				
Police pension	41,669	392,543	194,855	239,357
Fire pension	38,471	587,034	280,032	345,473
Payroll	234,243	4,966,312	5,045,508	155,047
Time deposits	37,105	22,919,931	22,920,577	36,459
Totals	<u>\$ 35,172,862</u>	<u>\$ 73,453,734</u>	<u>\$ 75,445,728</u>	<u>\$ 33,180,868</u>

The accompanying notes are an integral part of the financial information.

CITY OF LEBANON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The City was established under the laws of the State of Indiana. The City provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The City uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the City in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

CITY OF LEBANON
NOTES TO FINANCIAL INFORMATION
(Continued)

State statute (IC 5-13-9) authorizes the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The City contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

CITY OF LEBANON
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Enterprise Boulevard	\$ 2,160,270	\$ 378,500
Fire Station 2	296,875	115,000
Municipal Building	5,770,522	490,000
Notes and loans payable	1,075,000	333,396
General obligation bonds payable:		
1998 Enterprise Boulevard Bonds	2,460,000	413,658
2000 Stormwater Bonds, Series A	1,455,000	244,543
2005 Stormwater Bonds, Series B	3,320,000	218,499
	<u>16,537,667</u>	<u>2,193,596</u>
Total governmental activities debt	\$ <u>16,537,667</u>	\$ <u>2,193,596</u>
Business-type Activities:		
Wastewater Utility:		
Revenue bonds:		
1997 Wastewater improvement bonds	\$ 1,055,000	\$ 336,270
2002 Wastewater improvement bonds	3,520,000	148,925
2005 Wastewater improvement bonds	4,345,000	238,587
	<u>8,920,000</u>	<u>723,782</u>
Total business-type activities debt:	\$ <u>8,920,000</u>	\$ <u>723,782</u>

CITY OF LEBANON
EXIT CONFERENCE

The contents of this report were discussed on September 29, 2008, with Deborah Ottinger, Clerk-Treasurer; and John Lasley, Mayor. Our report disclosed no material items that warrant comment at this time.